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SPEECH OF MR. BUCHANAN, OF PENNSYLVANIA, ON THE SUB-TREASURY BILL.

CONTINUED.

IN SENATE—January 22, 1840.

If the speculator should prove successful and win the golden prize, no matter by what means he may have acquired his wealth, this clothes him with honor and glory. Money, money, money, confers the highest distinction in society. The republican simplicity and virtue of a Mason would be subjects of ridicule in Wall street or Chesnut street. The highest talents, directed by the purest patriotism, moral worth, literary and professional fame—in short, every quality which ought to confer distinction in society—sink into insignificance when compared with wealth. Money is equivalent to a title of nobility in our larger commercial cities. This is the effect of our credit system.

We have widely departed from the economical habits and simple virtues of our forefathers. These are the only sure foundations upon which our republican institutions can rest. The desire to make an ostentatious display of rapidly acquired wealth has produced a splendor and boundless expense unknown in former times. There is now more extravagance in our large commercial cities than exists in any portion of the world which I have ever seen, except among the wealthy nobility of England. Thank heaven this extravagance has but partially reached the mountains and valleys of the interior. The people there, so far as their personal voice can be heard, are determined to put an end to this bloated credit system, which threatens to involve not only their private fortunes but their political liberties in ruin.

After the revolution in 1787—after the banks had blown up and left the government without a dollar, the president found it necessary to convene congress. It then became indispensable to take a new departure. The course which ought to be pursued was the question. The banks had betrayed our trust; they had converted our money into rags by a species of alchemy the very reverse of that which was attempted in former times, of converting base things into gold. The president then recommended an absolute divorce between bank and state, and his political friends in congress cordially responded to this recommendation. We then gave our banner to the breeze with the motto of an independent treasury inscribed upon it.—Have we not firmly and immovably maintained our position? Had we been the corner-stones after office which our enemies have described us to be, we should have yielded our convictions when we found one state after another abandoning our standard. Neither the love of power nor of place made us falter. We did not yield to the panic of the moment. We have ever since kept this issue distinctly before the people, honestly believing that a separation of the government from banks was necessary to promote the best and dearest interests of the country. In the opinion of our political opponents, we stood a little high. But the people have at length gloriously come to the rescue. The senator is entirely mistaken in supposing this bill to be unpopular. In every instance, during the elections of the last year, when the question of an independent treasury was distinctly made before the people, the result has been either the election of the administration candidates, or a greatly increased number of votes in their favor. Is it not certain that if the congressional elections in those states which elected their members in 1838 had been postponed till 1839, we should now be in a triumphant majority in the other house? The whig party know this; and I am greatly mistaken in the signs of the times, if they have not determined that this bill shall pass. They will no longer give us the battle cry of an independent treasury. The bill is destined to become a law during the present session. I prophesy this result, and prophesy it solely upon my opinion of the sagacity of the whig party. It is possible I may be mistaken, but, if I should, I shall have one consolation in my disappointment. If my political existence depended upon the result, I should rather have the success of the independent treasury identified with the reelection of Mr. Van Buren, than any other argument which can be used in his favor.

It, alone, would be sufficient to defeat the hero of Tippecanoe.

Now, sir, great changes have taken place in public opinion since September, 1837. The prominent arguments then urged upon this floor against the independent treasury bill have nearly all vanished away. We now hear no more of a system of well regulated specie paying state banks to act as government depositories. The half-way house has been abandoned. The accommodations there are no longer good. It is in a ruinous condition, and can no longer shelter those who formerly took refuge in it. The banks have blown up twice within little more than two years, and thus blown this argument of their friends sky high. No statesman, after our recent experience, would now think of placing the people's treasure with the banks on general deposit for safe-keeping.

Far different is the independent treasury. It presents every guaranty which can be afforded for the safety and security of the public money. It will be in the custody of officers appointed by the government, responsible to the government, and punishable as felons for every violation of their trust. In the day of danger, when the country is involved in war, the money will always be ready; and at such a crisis the banks would almost certainly suspend specie payments. Besides, they are mere state institutions, over which we have no control; and they may, when they please, convert our money into rags, and then place us at defiance. They are beyond the reach of punishment under our authority. The federal government cannot justly be considered independent if we must resort to state banks, or to any other power except our own, for the purpose of keeping the money raised from the people by taxation until it can be applied to execute the great powers conferred upon us by the constitution.

Again: Public opinion has annihilated another argument against the independent treasury. The senator from South Carolina, (Mr. Preston,) in March 1833, in his tenderness towards the state banks, and for the purpose of enabling them to resume specie payments, proposed that we should, for a limited period, receive their irredeemable paper in the payment of dues to the government. Much eloquence was also formerly wasted upon the extreme cruelty of having one currency for the government and another for the people. Thank God! we hear no more of all this. No person now contends that, under any circumstances, the government ought to receive depreciated bank paper. Such fancies have proved too light for earth. They have risen to the moon, where it is said the crude notions of speculative politicians are still floating about, and have a local habitation and name.

The senator charges us with having employed the state banks as depositories, and having commended their conduct in the highest terms. This was a grievous sin, and grievously have we answered it. The difference between him and us is this: that, after they had shown themselves to be utterly unworthy of our confidence, we abandoned them; but at that moment he clasped them to his bosom. Admitting that there has been inconsistency on both sides, the state of the fact is this: we adopted the state banks; they betrayed us, and we cast them off forever. The opposition denounced this system in the beginning, and prophesied it would prove a failure; but at the very moment when the prediction was verified, they embraced these castaways themselves with all the ardor of lovers. These banks, as depositories of the public money, are now regulated by all parties. Their day has passed, and we shall hereafter have little more of them in connection with this subject.

All men are wise after the fact; but, to look back, it has often occurred to me as wonderful how we could ever have confided in the state banks as safe general depositories of the public treasure. Our system of banking is the very worst and the most irresponsible that has ever existed on the face of the earth. The charters of these banks nowhere impose any efficient restraint upon the first instinct of their nature, which is to make as much money for their stockholders as possible. They will, therefore, always expand their credits and their issues in the day of delusive prosperity without regarding the approaching storm. The immense deposits of the government increased this fatal tendency, whilst the public money was freely loaned, and its security placed at hazard, for the benefit of their stockholders, but for the ruin of the country. The wonder perhaps ought rather to be that they held out so long, than that they should have finally exploded.

In 1836, the immense amount of these deposits had stimulated them almost to madness. This expansion was then great beyond all former example. Speculation raged throughout the land. The suspicions of the country were aroused against the Government, and the banks were charged with granting peculiar favors to men high in office, and to influential partisans of the Administration. They were denominated "the pet banks." Such was the general sense of the insecurity of the public money in

their possession, and such the jealousy which existed among the People in consequence of their connexion with the government that he have the present chief magistrate would never have been elected had it not been for the passage of the deposit bill. The adoption of this measure was a choice of evils, but it was a much less evil than to have left nearly forty millions of the public money in possession of the banks. Under the independent Treasury system, we shall never again be placed in such a dreadful dilemma.

I was very much astonished that we had no homily from the Senator against the specie clause of the bill. Even this seems to have lost much of its terrors. It is no longer the terrific monster which was to devour all the banks and establish a pure metallic currency for all the transactions of all the people of the United States.

There could be no Independent Treasury without this clause. If you were to receive bank notes in payment of the public dues, and retain them in your possession, you would, in this manner, encourage the banks as much to make extravagant expansions as though you placed the same amount with them on general deposit. Besides, you would thus confer a dangerous power upon the Secretary of the Treasury, enabling him to favor one bank and to ruin others; and, even if this power should not be abused, suspicion would always surround its exercise.—You must separate from the banks in every particular. Evils, both to them and to the country, will follow from the least connexion with them. Besides, if you receive bank notes at all, to the extent of the amount which you hold in hand, you incur the very same risk of having them converted into irredeemable paper by an explosion of the banks as if they held them on general deposit.

The Senator commenced his speech by presenting us the most gloomy picture of national distress. He predicted that this distress would continue to increase during the present year, and that it would affect all classes of the community. The suffering, he thinks will be peculiarly severe during the approaching summer. I might say to him:

"Thy wife was father, Harry, to the thought."

I do not believe, however, he would desire that the people should suffer, in order to accomplish any political purpose. But if, without contributing to this result himself, it should be the will of the Powers above to involve us in pecuniary distress, between this time and the Presidential election, he would doubtless bear the dispensation with Christian fortitude. It would furnish political capital for his friends, and might contribute greatly to verify his prediction, that General Harrison will take possession of the White House on the 4th of March, 1841.

In my opinion, the senator has greatly exaggerated the extent of the existing distress. That all classes of the community have suffered in some degree is certain; but intense suffering has been chiefly confined to the large commercial cities, and those portions of the Union, such as the State of Mississippi, where the banks have so evidently ruined the people as to place all doubt of the cause at defiance. Where is there the country under the sun on which a bountiful Providence has poured out more blessings than on Mississippi? No population on the globe, in proportion to their number, produces a larger amount of wealth from the cultivation of the soil. And yet the bounty of providence has been contracted by her miserable banking system, and her people are now subject to intense suffering. In this instance the effect flows so palpably from the cause, that every man sees and feels and knows it. What an astonishing fact was that stated by the Senator from Mississippi, (Mr. Walker,) that in those counties of his State where Banks do not exist, there is no suffering, even at the present moment! If you wanted an illustration of the pernicious effects of the banking system, when it tempts farmers and planters to abandon their own proper business, and embark on the ocean of wild speculation, you could not have one more striking than that presented by Mississippi at the present moment. I am not aware that there is much individual distress among the mass of the people in the interior of Pennsylvania. There is chiefly confined to those who have been tempted, in the day of prosperity, to go beyond their means by the facility of obtaining bank accommodations.

But if I read the signs of the times aright, the crisis has passed, or rather is gradually passing away. We cannot return to a state of prosperity before the Presidential election; but the condition of individuals generally will not be one of intense suffering. The resources of this vast country are so great, and the productive classes are so industrious, that with two years of fair play they can produce as much wealth as the speculators have been able to squander in one. There will be no great suffering during the next summer, unless it may be in our large commercial cities.

After presenting, in glowing colors, the distress of the country, the Senator asks, what measure of relief have we proposed? I might ask him, in return, where he will find any clause in the Constitution conferring

power upon Congress to regulate the banking and credit system of the respective States, and thus strike at the root of our calamities and embarrassments? The present Administration have not had the slightest agency in creating the existing distress, and can do but little to arrest it, or prevent its recurrence. This is a duty which devolves upon the States. Still, we have proposed a measure which we believe will produce this effect to a limited extent. Our chief objects in adopting the Independent Treasury are, to disconnect the Government from all banks, to secure the People's money from the wreck of the banking system, and to have it always ready to promote the prosperity of the country in peace, and defend it in war. Incidentally, however, it will do some good in checking the extravagant spirit of speculation which is the bank of the country.

In the first place, by requiring specie in all receipts and expenditures of the Government, you will create an additional demand for gold and silver, to the amount of five millions of dollars per annum, according to the estimate of the President. A large portion of this sum will be drawn from the banks, and this will compel them to keep more specie in their vaults in proportion to their circulation and deposits, and to bank existing evil. I fear, however, that it will prove to be put a very inadequate restraint upon excessive banking.

In the second place, this bill will, in some degree, diminish our imports, especially after June, 1842. I most heartily concur with the Senator in desiring this result. What is the condition of the importing business at the present moment? It is almost exclusively in the hands of British agents, who sell all the manufactures they can dispose of in other portions of the world, and then begin the residuum here to glut our markets. According to our existing laws, they receive a credit from the Government for the amount of its duties. They sell the goods for cash, and this credit becomes so much capital in their hands, to enable them to make fresh importations. The Independent Treasury bill requires that all duties shall be paid in gold and silver; and, after June, 1842, the compromise law will take away the credits altogether. We shall then have a system of cash duties in operation, which will contribute much to reduce the amount of our importations, and to encourage domestic manufactures.

In the third place, this bill will make the banking interest the greatest economists in the country, so far as the government is concerned. Their nerve of self interest will be touched in favor of economy, and this will induce them to unite with the people in reducing the revenue and the expenditures of the government to the lowest standard consistently with the public good. They will hereafter abhor a surplus revenue as much as they delighted in it formerly, when they used it for banking purposes. Any surplus which may exist in future will be locked up in gold and silver in the vaults of our depositories; and, in proportion to its amount, will deprive the banks of so much of their specie. They will, therefore, become the partisans of reducing the revenue to the actual and necessary expenditures of the government; so that the specie may flow out of the sub-treasuries with a rapidity corresponding with its influx. Nothing but a large surplus can seriously injure the banks.—This was demonstrated to me by one of the most distinguished financiers which our country has ever produced, not himself, I believe, friendly to the Independent Treasury.—Tues. Treasury drafts, in the natural course of business, will find their way either into the banks at the very points where our depositories are situated, or into the hands of individuals there having duties to pay to the Government. Take, for example, New York. A public creditor receives such a draft on the receiver-general in payment of his debt. Will he carry it to New York, receive payment, and transport the specie from that city? Such instances will be rare. He will generally deposit it to his credit in the bank with which he transacts his business, wherever that may be. This bank, if not in New York, will transmit it for collection to one of the banks there; and thus these banks will draw the specie from our depositories as rapidly as it is drawn from them for the payment of the public dues. Thus the equilibrium will be preserved, so long as the Government is without a large surplus. In other instances, these drafts will be sought after and procured by individuals having duties to pay, and they will be presented to the receiver-general, and accepted by them instead of gold and silver.

I come now to another, and the most important portion of the gentleman's argument. If the president had taken the senator from Kentucky under his umbrella, and wrapped his Indian-robe cloak around him, and made him his palanquin to steer the ship of state—[Here Mr. Clay said this was not a possible case.] Mr. Buchanan replied that all things are possible, and wonders will never cease. I admit that such an event is not very probable; but, should it ever occur, true as the needle to the pole, the senator would steer

direct for a national bank. This is the senator's sovereign panacea for regulating the currency of the country, and restraining the extravagance of the state banks. I admit that the true issue now before the country is between an independent treasury and a national bank. "The pet bank" deposit system has been such an utter failure that another resort to it cannot be seriously contemplated by any considerable portion of the American people. I feel the utmost confidence in the success of the independent treasury, should the law be ably and efficiently executed; but, should it fail, the next experiment will doubtless be another bank of the U. States.

Waiving, at present, the constitutional question, on which I have often expressed my opinion before the senate, I propose to take up the senator's argument, and prove that such a bank would not regulate the currency if it could; and that even if it felt the will to do so, it would be entirely destitute of the power.

Would such a bank, then, if it could, control and regulate the loans and issues of the state banks? In the affairs of human life, if you expect one agent to restrain another, you must render their interest conflicting. This proposition is emphatically true when such agents are banking corporations, intent upon declaring the largest possible dividends among their stockholders. Now, a bank of the United States, so far from feeling any interest adverse to the state banks, would have the very same inducements with them to make extravagant loans and issues. The duty of such a bank as a regulator of the currency, would be directly at war with its interest as a banking institution. You cannot raise men above the selfish passions of their nature, by making them directors and stockholders in a bank of the United States.—When their interest as bankers conflicts with their duty as regulators of the currency, the history of mankind points you to the probable result. Like the state banks, they will always extend their loans and their issues, whenever they think they can do so without endangering their own security. This is the powerful instinct of self interest. It is absurd, then, to expect that the president and directors of a bank of the United States will ever become safe and efficient regulators of the currency, in the very face of their own interest as stockholders. It would be easy for me to prove, from historical facts, that neither the former nor the present bank of the United States ever did exercise a regular and efficient control over the issues of the state institutions. On the contrary, whenever their interest impelled them to extend their own issues, they have pursued this course; and thus, instead of checking, they have given loose reins to the state banks.—Both the bank of the United States and these banks have thus together rushed on, and, with united forces, have ministered to that spirit of overtrading and extravagant speculation which has so often desolated our country. Time will not permit me to do more than refer to the vast expansions of this bank in 1817 and 1818, in 1823, in 1831, and in 1834. These produced ruinous contractions and universal distress. I think I may affirm, with perfect safety, that at each of these periods, instead of restraining the state banks, it took the lead. Has it ever preserved the state banking institutions in a sound condition? Let Mr. Gallatin answer this question. He says that one hundred and sixty-five of our banks broke between 1811 and 1830; and during the greater part of this period, we all know that the present Bank of the United States was in active existence.

My great object, however, at this moment, is to prove, from the present condition of the Bank of the United States, how hopeless it is to expect that any similar institution can ever be relied upon as a regulator of the currency. That bank still exists, if its present condition may be called existence; and this is the first occasion on which I have ever known the senator to be guilty of ungratefully abandoning an old friend in the hour of calamity. Before I take my seat, I shall endeavor to identify the gentleman and his party with this institution. "They were lovely in life, and in death they shall not be divided."

It is said that the Bank of the United States is now but a mere state institution.—But its character changed by changing the source whence it derives its charter? Is it not still the same institution that it ever has been, with the same capital, the same directors, the same stockholders, and, until very recently, has it not been governed by the same controlling will? Has it not been exultingly proclaimed by its former president, that it now has a much better charter from Pennsylvania than that which it had received from congress? This is strictly the truth; for such a charter as that under which it now exists was never before granted to any banking corporation, either in England or this country. The United States, it is true, ceased to be a stockholder, but it enjoyed the privilege of selling their seven millions of stock, for which it could have procured, and doubtless did, procure a large advance.

From the very nature of things, this vast monopoly, with a capital of \$35,000,000,